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SUBJECT: EUROPEAN COMMISSION TRADE OFFICIAL SAYS U.S. INSISTENCE ON CHANGING DOHA DRAFT AGREEMENT RISKS FAILURE OF ENTIRE ROUND

¶1. (U) Summary: On Monday March 16, European Commission Deputy Director General (DDG) of DG TRADE Peter Balas briefed the European Parliament's (EP's) International Trade Committee on the Commission's activities with regard to the upcoming G20 summit in London on April 2nd. Balas discussed the EU's (trade related) expectations for the summit as well as the state of EU trade relations with Russia and the Ukraine. The Commission representative warned that insistence by the U.S. on changing the parameters for Doha negotiations would delay or even risk the collapse of the entire development round. End Summary.

April 2 G20 Summit - Doha Round  
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¶2. (U) DDG Balas told members of the EP that the EU is hopeful that G20 countries, including the United States, will show their commitment to concluding the Doha Development round on the basis of the current 'parameters' for the trade negotiations (i.e. to continue discussions on the basis of the current draft agreements). He expressed his concerns about a recent USG policy paper [Comment: probably "The President's Trade Policy Agenda", issued on March 2, 2008, as part of the USTR annual report. End comment.] in which he characterized as confirming the U.S. intention to make significant changes to these parameters. [Comment: the Trade Policy Agenda confirms the importance of a strong, market-opening agreement to correcting the global economic crisis and commits to working with US trading partners to achieve such an agreement, but says that it will be necessary to "correct the imbalance in the current negotiations, in which the value of what the United States is expected to give is well-known and calculable, whereas the broad flexibilities available to others leaves unclear the value of new opportunities for our workers, farmers, ranchers, and businesses". There is no mention of significant changes to parameters. End comment] "This would mean a long-term perspective for Doha, if not the outright collapse of the negotiations", Balas said. The Deputy Director General said the EU did not want the U.S. to insist on such changes, because "it would mean that the whole of the negotiations would need to be reopened". Balas said he hoped the Obama Administration would focus again on the continuation of the Doha Round, even though he understood that the USG's number one priority right now was the successful launch of the stimulus package.

¶3. (U) The Commission representative expressed strong support for the monitoring of the so-called stand-still requirement agreed in November 2008, designed to prevent states from introducing protectionist measures. In relation to this, Balas called the USG decision to water down the "Buy America" provisions in the stimulus package "a limited success".

¶4. (U) Balas furthermore said the G20 summit:  
- should ensure that developing countries do not decide to use the margins between the tariffs they actually apply and their bound tariffs, which would have "a destructive potential of trade distortion"  
- should prevent developed countries from resorting to massive

subsidization programs (including the EU)

- is expected to deal with the issue of trade finance. He said the G20 summit should give a "political boost" to facilitating trade finance.

Russia

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15. (U) With regard to EU-Russia trade relations, Balas said:

- Russia has raised its tariffs on a number of products, such as cars, which is hurting EU exports. According to Russia, these measures are only temporary (until Russia's WTO accession), but the EU considers Russia to be in breach of its political commitments.  
- With regard to Russia's accession to WTO, the role of the USG is very important. Even though the new USTR has now been confirmed [Comment: as of that meeting, he had been approved by the Finance Committee, but not confirmed by the Senate. End comment, various new USTR high level representatives have not been designated. The Commission hopes that this situation of uncertainty will end soon and USTR will be in full operation.

Ukraine

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16. (U) On EU-Ukraine trade relations, Balas said:

- EU-Ukraine negotiations on the Association Agreement (which includes a free trade agreement) are ongoing, but should be speeded up. A next round of negotiations will be held in March.  
- Recent import surcharges adopted by the Ukrainian parliament to deal with the country's balance of payments problems are questionable and are in breach of WTO rules as well as the IMF-Ukraine Agreement.

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